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Director of
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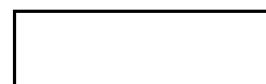
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National Intelligence Daily (Cable)

14 February 1979

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SITUATION REPORT

IRAN

Tehran was relatively calm yesterday but there is still considerable unrest in the provinces. The new government is making a strong effort to disarm opposition groups not under its control. Although Moscow quickly recognized the Bazargan government, the Soviet press is stressing the problems ahead, and the Soviets hope the situation will evolve in favor of the Iranian left.

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Some shooting and looting continue in Tehran. Reports from Shiraz, Tabriz, and Esfahan indicate that there is still considerable confusion in the provinces, where no generally recognized authority has emerged. Undisciplined armed mobs in Tabriz and Esfahan are roaming the streets and are harassing Americans.

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The government is making persistent efforts to reestablish law and order. In a major address yesterday on national television and radio, Ayatollah Khomeini called on Iranians to surrender their weapons at designated mosques and threatened to punish those who illegally possess arms, engage in "senseless shooting," or damage public property. The new government also issued specific prohibitions against harassment of the military, former officials, women, and foreigners. Vice Prime Minister Entezam told a BBC interviewer yesterday that the government might be forced to use the army to disarm recalcitrant dissidents.

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Prime Minister Bazargan's new cabinet is composed of long-time members of the opposition, including several secular figures of the National Front. Except for Vice Prime Minister Yazdi, no member of Khomeini's entourage in France has been given a post. Several key portfolios--including Defense, Economics, Justice, and Energy--have not yet been assigned.

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The USSR's swift, formal recognition of the Islamic Republic was evidently intended to strike a positive note at the start of a relationship in which Moscow may believe

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it has little direct leverage. The prompt Soviet move was in keeping with past Soviet diplomatic responses to sudden changes in government in countries where the USSR hoped to exert influence. []

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A Soviet commentary in *Izvestia* stressed that the new government faces "many problems" and that economic and social changes are "unavoidable." The Soviets presumably believe in the near term the situation in Iran will be disorganized and unstable and that the new regime may become vulnerable to changes beneficial to the left. []

Pravda yesterday emphasized that "no foreign interference is admissible" in Iran, which is consistent with President Brezhnev's warning in November against any US or other foreign intervention. []

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Foreign Minister Gromyko conspicuously avoided any reference to Iran in his luncheon address on Monday for the visiting French Foreign Minister, but Politburo candidate-member Ponomarev, in his Supreme Soviet election speech, did refer to Iranian events as a "victory for revolution." []

//Although Egyptian President Sadat is certainly unhappy that Khomeini's forces have prevailed, the Egyptian press yesterday displayed increasing support for the Bazargan government. This apparently reflects an official decision to put the best face possible on recent events in Iran. Cairo radio quoted an Egyptian official as saying that the government will follow a policy that reflects the Egyptian people's desire to "bolster close relations between the Iranian people and the government they choose." If Sadat has indeed now decided to attempt to establish normal relations with the new rulers in Iran, he may reconsider his recent invitation to the Shah to return to Egypt for "medical tests."// []

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Saudi Arabia has remained officially silent since Khomeini followers assumed power in Iran. The Foreign Minister, Prince Saud, has publicly declared on several occasions that Riyadh will recognize whatever government emerges in Tehran. In recent days, the Saudi media have repeatedly expressed concern that Communists will take

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advantage of the chaos in Tehran to try to seize power. Iraq, where Khomeini's fellow Shia Muslims comprise about half the population, has not yet made any direct gesture toward the Bazargan government.

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BRIEFS AND COMMENTS

ETHIOPIA-SUDAN: Leaders to Meet

Ethiopian Chairman Mengistu and Sudanese President Numayri are scheduled to meet in Sierra Leone tomorrow in an effort to ease bilateral strains and diminish the risk of Ethiopian-Sudanese border clashes. Mengistu's main objective will be to persuade Numayri to end or at least to limit Sudanese support for Eritrean rebels. The Sudanese seem more interested than the Ethiopians in easing strained relations. [REDACTED]

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//In order to show the Ethiopians he can be useful in facilitating a negotiated settlement in Eritrea, Numayri recently helped foster a "unity agreement" between the two largest Eritrean guerrilla factions. The agreement, however, is tenuous and excludes a third, smaller guerrilla faction. [REDACTED]

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Although the Eritreans have recently suffered serious military reverses, they seem capable of carrying on guerrilla warfare almost indefinitely. There is little room for compromise; the Ethiopians insist that the Eritreans accept limited autonomy, and the Eritreans demand independence. [REDACTED]

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//The Sudanese recognize that any agreement that limits Eritrean use of Sudanese territory would upset the Arab states that support the Eritreans--including Saudi Arabia, which backed Numayri's initiative in arranging the meeting with Mengistu. The Sudanese expect Syria and Iraq to object no matter what the outcome of the meeting. [REDACTED]

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Numayri hopes the meeting will ease Sudan's problems with the many Eritrean and other Ethiopian refugees who are an economic burden and potentially a security problem for Sudan and diminish the risk of Ethiopian-Sudanese border clashes. Numayri probably also hopes to persuade Mengistu to end support to Sudanese dissidents. [REDACTED]

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JAPAN: Deflecting Criticism of Economic Policy

Faced with the prospect of unacceptably large current account surpluses over the next several years, Japan has launched a campaign to focus international attention instead on its basic balance--the surplus on goods and services minus net capital outflows. [REDACTED]

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Recent claims by Special Ambassador for External Economic Affairs Yasukawa that Japan has done all it can to boost domestic growth and cut the trade surplus are being touted by other high-level government officials as well. [REDACTED]

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The Japanese have been arguing that US and EC officials pay too much attention to the current account and do not give Japan enough credit for recycling its surplus to other countries in the form of concessional loans and direct investment. In 1978, Japan had a current account surplus of \$16.6 billion and long- and medium- term capital outflows produced a basic balance of only \$4.3 billion--direct investments and concessional loans accounted for roughly half the net capital outflow. [REDACTED]

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TURKEY: Martial Law Extended

Turkish Prime Minister Ecevit's announcement yesterday that he would ask Parliament for a two-month extension of martial law without expanding the area under control appears to reflect a compromise between conflicting pressures within his government. [REDACTED]

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//By continuing to limit martial law to the original 13 provinces, Ecevit will avoid antagonizing the diverse elements in his narrow parliamentary majority as he battles for tax reforms and prepares for the crucial budget debates later this month. The left wing of Ecevit's party originally opposed martial law but now appears willing--in the face of political violence that has almost returned to pre-martial law levels--to accept the extension. Ecevit himself resisted martial law and is probably reluctant to expand it. [REDACTED]

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//Most of the violence now is taking place outside of the martial law area, and the proposed extension may have little success in reducing the number of deaths. Moreover, both opposition parties and the military favor granting military commanders more authority than was allotted under the terms of the original martial law provision that expires on 26 February. [REDACTED]

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[REDACTED] So far, the military has shown remarkable restraint; the current enforcement of martial law is far more benign than that of previous regimes. [REDACTED]

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Once the budget debate is safely out of the way, Ecevit may feel he has more latitude to respond to further upsurges of violence by broadening the area under martial law or by strengthening military control in the affected region. [REDACTED]

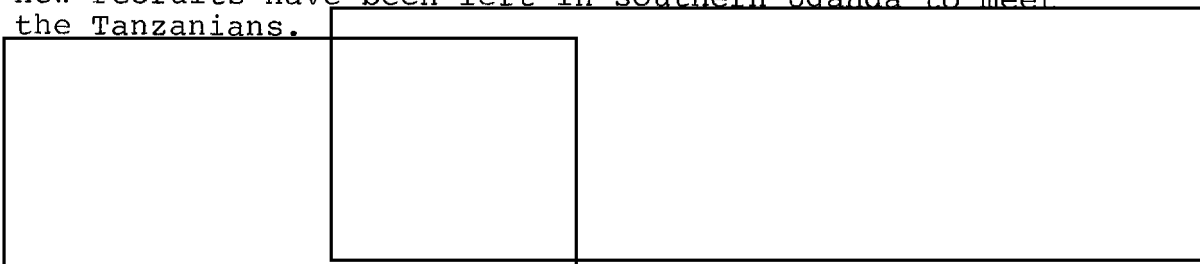
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TANZANIA-UGANDA: Military Situation

//Four Tanzanian brigades, totaling 25,000 men, are now some 50 kilometers inside Uganda. Scattered fighting is taking place in the vicinity of Kyotera and along the roads south and west of Mbarara. The Ugandans reportedly have withdrawn their most experienced troops from the front lines to defend Kampala or to hold them in reserve until they are sure of the invasion route. Some 5,000 new recruits have been left in southern Uganda to meet the Tanzanians.

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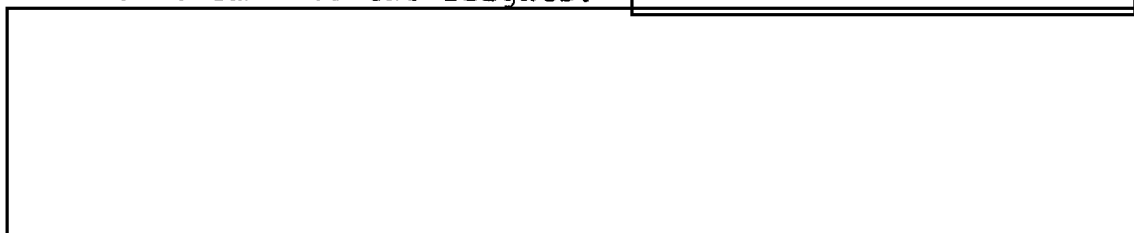


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BOTSWANA-RHODESIA: Decision to Stop Refugee Airlift

//The Botswanan Government announced yesterday that the private Danish air-charter firm that contracted to airlift some 8,000 military-age male Rhodesian refugees from Botswana to Zambia had suspended operations on Saturday. The Danish Government, apparently fearing Rhodesian attacks against the aircraft, ordered the airline to terminate the flights.

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CHAD: Continued Fighting

//Fighting continued in Ndjamená for the second consecutive day amid unconfirmed reports that supporters of Prime Minister and former Muslim rebel leader Habre control most of the city. French troops remain positioned around the airport and in the European section of town, but have otherwise kept a low profile. The approximately 200 US citizens in Ndjamená have not been endangered.

Contrary to earlier reports, Habre is still in the capital. [REDACTED] President

Malloum and Habre have agreed to negotiate under the auspices of the Sudanese Embassy, and armed supporters of

both leaders are said to have agreed to a temporary cease-fire to evacuate casualties. Any compromise is likely to be short lived. [REDACTED]

ALBANIA: Demarche on Gold

Albania has approached the Tripartite Gold Commission in Brussels to recover approximately \$20 million in gold reserves seized by the Germans during World War II. The Albanians may be hoping to use the money for purchases from the West; their laws prohibit foreign credit arrangements. [REDACTED]

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